

BEFORE THE POSTAL RATE COMMISSION
WASHINGTON, DC 20268

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Complaint on Charges for the)
Bulk Parcel Return Service) Docket No. C99-4


RESPONSES OF WITNESS LAWRENCE G. BUC FOR
THE CONTINUITY SHIPPERS ASSOCIATION
AND THE DIRECT MARKETING ASSOCIATION
TO THE INTERROGATORIES OF
THE UNITED STATES POSTAL SERVICE
(OCA/CSA-T1-1-5)

The Continuity Shippers Association and the Direct
Marketing Association hereby provide responses of witness
Lawrence G. Buc to the following interrogatories of the United
States Postal Service: USPS/CSA-1-5, filed on January 12, 2000.

Each interrogatory is stated verbatim and is followed by
the response.

Dated: January 18, 2000

Respectfully Submitted,


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Shippers Association

USPS/CSA-T1-1

Please refer to your responses to OCA/CSA-T1-8©. Please explain why Cosmetique prefers to receive its returns via BPRS, as opposed to via the Mail Recovery Centers (MRCs), given the significant postage difference you cite in your answer.

RESPONSE:

Cosmetique informs me that it prefers to receive returns directly without them going through the MRCs because it receives the returns sooner and there is less handling by the Postal Service. This enables Cosmetique to update customer accounts sooner. There is also a concern that merchandise may be auctioned or sold if it goes to a Mail Recovery Center.

USPS/CSA-T1-2.

Please refer to your response to OCA/CSA-T1-10(a). In addition to the value of the merchandise and the cost of return postage, processing and restocking, do mailers determining whether to use BPRS also take into account the value of any payments or any information or correspondence concerning customer desires contained within the returned parcels.

RESPONSE: Yes. The same is true for any return service, including the Third Class single piece rate applied to the returns prior to the creation of BPRS.

USPS/CSA-T1-3.

Please refer to your response to OCA/CSA-T1-10(c). Does Cosmetique have a breakdown of returned parcels which have "lost their integrity" between those which are not opened and those which have been opened and resealed by the recipient? Do you and Cosmetique believe a returned parcel which has been opened and resealed by the recipient is more likely to "lose its integrity" than one which has not been opened?

RESPONSE:

Cosmetique does not have data on this issue. Cosmetique and I believe that an opened return is more likely to lose its integrity than an unopened one. However, the creation of BPRS, both before and after the recent minor modification, has not impacted the loss of integrity percentages seen by Cosmetique.

USPS/CSA-T1-4.

Please refer to your response to OCA/CSA-T1-11(a). In light of your response to OCSA/CSA-T1-10(a), would you define a "fair price" as one which is both below the value of the merchandise plus the cost of return postage, processing and restocking, and is also less than or equal to the cost of having the parcel returned by any other available means?

RESPONSE: No. The determination of a "fair price" does not depend on the value of the merchandise where a monopolist takes advantage of their market power. Since, as a practical matter, monopolistic conditions exist here, the regulatory process becomes involved to set the "fair price."

USPS/CSA-T1-5.

Please refer to your response to OCSA/CSA-T1-11(c), where you state: "Neither I nor members of the Continuity Shippers Association have information regarding whether 'continuity and negative option mailers, in particular, incur a relatively high parcel return rate as a normal course of business.'"

- (a) Do you mean to say that Cosmetique and other BPRS mailers do not know what percentage of their outgoing parcel volume is returned?
- (b) If the answer to part (a) is no, please provide the percentage of outgoing parcel volume returned both in total and via BPRS. This percentage need not be disaggregated by mailer. If the answer to part (a) is yes, please explain fully why this information is not available.

RESPONSE:

- (a) No. Neither the CSA nor I know the return parcel percentage for all BPRS mailers, nor know whether the return percentage for any mailer is "relatively high."
- (b) For Cosmetique in 1999, the percentage of all returns in relation to outgoing parcels was 12.9%.
- For Cosmetique in 1999, the percentage of BPRS returns in relation to outgoing parcels was 10.8%.

USPS/CSA-T1-5[1].

Please refer to your response to OCA/CSA-T1-5, where you state that: "[w]hen a customer inquires by phone how to return a parcel (whether opened or unopened), Cosmetique informs them that they have the option of redepositing the return into the mail stream and that the parcel may be returned to Cosmetique without the customer paying the return postage. Cosmetique has informed its customers of this since before the minor modification in October 1999. See Answer to OCA/CSA-T1-14(b).

- (a) Are you and Cosmetique aware that the recent changes to BPRS allow the Postal Service to return opened and resealed parcels without a BPRS label only if "it is impracticable and inefficient for the Postal Service to return the mailpiece to the recipient for payment of return postage."? DMCS § 935.11.
- (b) Are you and Cosmetique aware that, despite Cosmetique's instructions to its customers, where it is practicable or efficient for the Postal Service to do so, the Postal Service may return opened parcels, even those endorsed BPRS but which have no return label, to the recipient for payment of postage?
- (c) Do you and Cosmetique believe that the lack of a return label affects the likelihood that an opened, resealed and redeposited BPRS-endorsed parcel is successfully returned by the Postal Service to the original mailer? Do you and Cosmetique believe that a BORS parcel with a return label is more likely to be returned directly to the original mailer without either being returned to the recipient for postage, routed to an MRC, or otherwise handled in a way that delays or impedes receipt of the parcel by the original mailer, compared to a BPRS parcel without a return label?
- (d) Please explain fully why Cosmetique chooses not to use return labels.
- (e) Please explain fully why BPRS mailers who use return labels choose to do so.

RESPONSE:


- (a) Yes.

- (b) Yes.
- (c) Cosmetique informs me that it receives less than 5 calls a month from customers stating that they redeposited a return into the mail stream and the parcel was brought back to them. This shows that the lack of a label has virtually no effect on the Postal Service's handling of labeled versus unlabelled returns in terms of the parcel being returned to the original recipient for postage. In addition, Cosmetique informs me that less than one tenth of one percent ($>.1\%$) of all its returns come from a Mail Recovery Center with any indication concerning the requirement that returned postage must be paid by the recipient once it is opened. However, Cosmetique and I believe there is some small incremental percentage of returns that would not be delayed or impeded if a label was used as (compared to not using a return label).
- (d) Cosmetique informs me that its experience has been that the inclusion of a label with the outgoing parcel increases the percentage of returns (and correspondingly decreases the percentage of payments).
- (e) A BPRS mailer [not Cosmetique] informs me that it chooses to include a return label with its outgoing parcels because, in their opinion, it enhances customer service by making it easier for the customer to return the item.

DECLARATION

I, Lawrence G. Buc, do hereby declare under penalty of perjury that the answers to the foregoing Docket No. C99-4 interrogatories are true to the best of my knowledge, information and belief.

Dated: January 17, 2000



Lawrence G. Buc

CERTIFICATE OF SERVICE

This will certify that the foregoing Answers to the Postal Service Interrogatories 1-5 were served on January 18, 2000, by first class mail, on the following:

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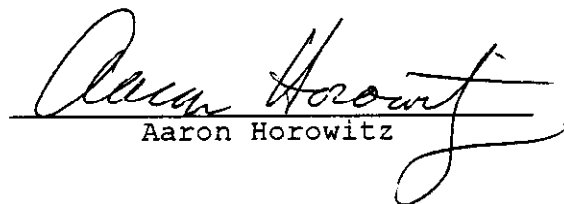
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